

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER:
02-022

2. STATE
Washington

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE
July 1, 2002

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT:

a. FFY 2002 (\$1,800,000) (\$3,047,000) (P+I)
b. FFY 2003 (\$10,800,000) (\$12,189,000) (P+I)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Supplement A to Attachment 4.19-B
Pages 1 and 2

Attachment 4.19-B
Pages 2-b and 2-c

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Supplement A to Attachment 4.19-B
Page 1

Attachment 4.19-B
Pages 2-b and 2-c

10. SUBJECT OF AMENDMENT:

~~Dialysis Services~~ Average Wholesale Price (AWP) for prescription drugs

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED: Exempt

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
DENNIS BRADDOCK

14. TITLE:
Secretary

15. DATE SUBMITTED:

16. RETURN TO:

Department of Social and Health Services
Medical Assistance Administration
925 Plum St SE MS: 45533
Olympia, WA 98504-5533

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: **SEP 30 2002**

18. DATE APPROVED: **APR 17 2003**

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: **JUL 1 2002**

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
Karen S. O'Connor

22. TITLE: **Associate Regional Administrator,
Division of Medicaid &
Children's Health**

23. REMARKS:

P+I changes authorized by the state on 5/22/03

9/27. Olympia
(CITY/STATE)

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: Washington

4. The single state agency sets EAC by periodically determining the pharmacies' average acquisition costs for a sample of drug codes.
 - When acquisition cost data are made available to MAA by drug wholesalers, the average cost is based on in-state wholesalers' published prices to subscribers, plus an average upcharge, if applicable. The average cost is expressed as a percentage of the Average Wholesale Price (AWP) for the drug.
 - When acquisition cost data are not made available to MAA by in-state drug wholesalers, MAA uses other sources of pricing information to establish EAC. Alternative sources of pricing data include audit or survey findings, individual pharmacy providers, pharmacy benefit managers, other third party payers, actuaries or other consultants, etc.
 5. The single state agency pays the EAC for a multiple-source product if the EAC is less than the MAC/AMAC established for that product.
- C. Upper Limits for "Other" drugs:
1. An "other" drug is defined as a brand name (single source) drug, a multiple-source drug where significant clinical differences exist between the branded product and generic equivalents, or a drug with limited availability.
 2. Payments for "other" drugs are based on Average Wholesale Price (AWP) less a specified percentage. AWP is determined using price information provided by the drug file contractor.
 3. See Supplement A for current EAC percentages.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: Washington

D. Dispensing Fee Determination:

1. The department sets pharmacy dispensing fees by applying legislatively authorized vendor rate increases to existing fees.
2. The current dispensing fee payment system is multi-tiered. The dispensing fee paid to a pharmacy depends upon that pharmacy's total annual prescription volume (both Medicaid and non-Medicaid), as reported to the department.
3. Pharmacies providing unit dose delivery service are paid the department's highest allowable dispensing fee for unit dose prescriptions dispensed. All other prescriptions filled by these pharmacies are paid at the dispensing fee level applicable to their annual prescription volume.
4. A dispensing fee is paid for each ingredient in a compound prescription.
5. See Supplement A for current dispensing fees.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: Washington

REIMBURSEMENT FOR PHARMACY SERVICES

I. General Information

- A. Prescription drug reimbursement is based on (1) the standard 11-digit National Drug Code (NDC) (5-4-2 format), and (2) the quantity filled.
- B. Total reimbursement for a prescription drug does not exceed the lowest of:
- (1) Estimated acquisition cost (EAC) plus a dispensing fee;
 - (2) Maximum allowable cost (MAC) plus a dispensing fee;
 - (3) Federal Upper Limit (FUL) plus a dispensing fee;
 - (4) Actual acquisition cost (AAC) plus a dispensing fee for drugs purchased under section 340 B of the Public Health Services (PHS) Act and dispensed to medical assistance clients; or
 - (5) The provider's usual and customary charge to the non-Medicaid population.

II. Payment

Providers must bill only after providing a service to an eligible client. Delivery of a service or product does not guarantee payment. For example, no payment is made when:

- The request for payment is not presented within the 365 day billing limit.
- The service or product is not medically necessary or is not covered;
- The client has third party coverage and the third party pays as much as or more than, the state allows for the service or product; or
- The service or product is covered in the managed care capitation rate.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State: Washington

REIMBURSEMENT FOR PHARMACY SERVICES (Cont.)

III. Estimated Acquisition Cost (EAC)

- A. First DataBank derives the Average Wholesale Price (AWP) of each product based on information they receive directly from each manufacturer or labeler. The appropriate percentage of the AWP that represents the Estimated Acquisition Cost (EAC) is determined.
- B. Currently applied EAC percentages, effective for dates of service on and after 8/1/02, are:
- AWP-14% for single source drugs;
 - AWP-14% for multisource drugs with four or fewer manufacturers/labelers;
 - AWP-50% for multisource drugs with five or more manufacturers/labelers and no MAC or FUL; and
 - 100% of certified AWP for infusion, injectable, and inhalation drugs with certified AWP.

IV. Dispensing Fees

- A. A three-tier dispensing fee structure is used, with an adjusted fee allowed for pharmacies that participate in the Modified Unit Dose and/or True Unit Dose programs.
- B. Listed below are the dispensing fee allowances for each drug ingredient in compounded and non-compounded prescriptions for pharmacies, effective for dates of service on and after 7/1/02:
- High-volume pharmacies (over 35,000 Rxs/yr)..... \$4.20/Rx
 - Mid-volume pharmacies (15,001-35,000 Rxs/yr) \$4.51/Rx
 - Low volume pharmacies (15,000 Rxs/yr and under)..... \$5.27/Rx
 - Unit Dose Systems..... \$5.20/Rx
- C. A provider's dispensing fee is determined by the volume of prescriptions the pharmacy fills for medical assistance clients and the general public, as indicated on the annual prescription count survey distributed to pharmacies.